



# 17th

## Annual Government Financial Management Conference

### Update on Debt Collection

**Scott Spell, Manager, Customer Relations Branch,  
Birmingham Debt Management Center**

**Julie Slaughter, Alternate Contracting Officer's Technical Representative,  
Private Collection Division**

**Alyssa W. Riedl, Branch Manager, Debt Program Support Branch,  
Debt Program Division**



# Overview

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Debt Collection Overview

Cross Servicing Program

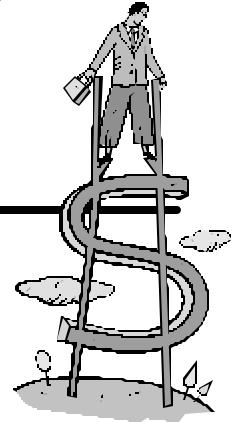
Private Collection Division

Debt Program Division

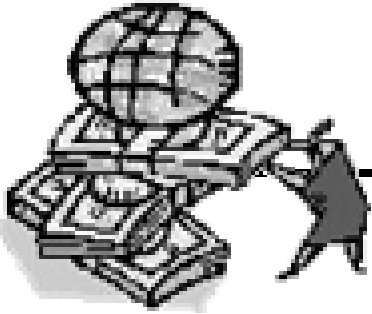


# Debt Collection Overview

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- Since the enactment of DCIA in April 1996, \$27.7 billion was collected through (FY 2006) to pay delinquent debts through the TOP and Cross-Servicing Program
- As of June the FY 2007 Total Collections were \$3.4 billion, exceeding all previous yearly totals in 3 fiscal quarters
- Annual collections through these programs averaged over \$3.0 billion during the last six years



# Cross-Servicing

**J. Scott Spell, Manager**  
**Customer Relations Branch**  
**Birmingham Debt Management Operations Center**

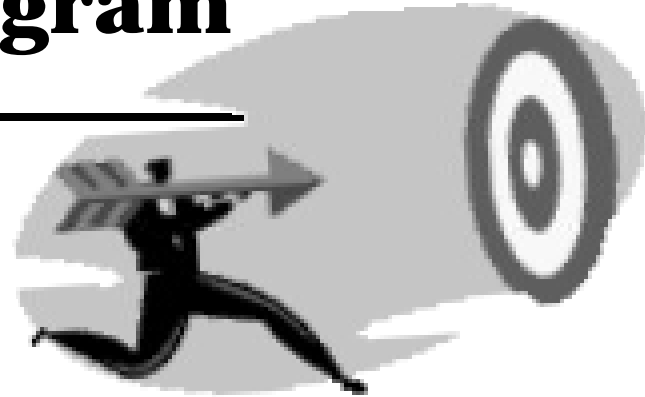


# Cross-Servicing Program

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## GOALS:

- ✓ Collect Debt;
- ✓ Resolve Debt;
- ✓ Remove Debt from the Government's Receivables;
- ✓ Centralize Government Debt Collection.



## How Agencies Participate

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- Letter of Agreement detailing responsibilities of DMS and Creditor Agency
- Agencies must certify that:
  - debts are valid and legally enforceable in order to refer
  - due process has been completed
- Once LOA is signed and debt referrals begin, the Agency ceases all collection activity.



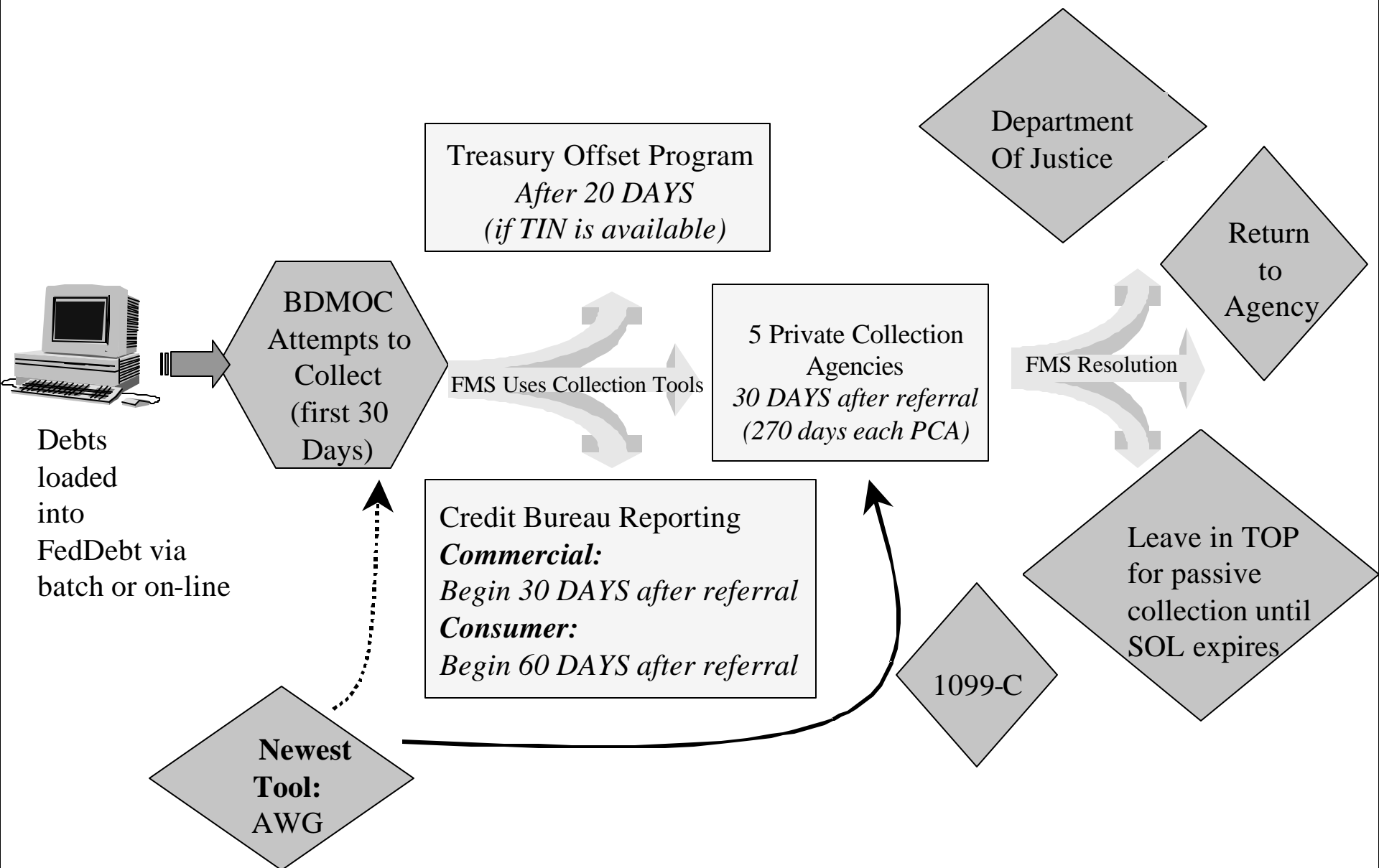
# Cross-Servicing Collection Tools

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- Demand letters & Phone Calls
- Payment Agreement Options
- Credit Bureau Reporting
- Treasury Offset Program
- Administrative Wage Garnishment
- Private Collection Agencies
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout



# Collection Process Overview







## **New Approach- Enterprise Architecture Study**

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- FedDebt is Debt Management Service's debt management system
- FedDebt design is more flexible to handle the large variety of debt types
- Integrated Agency Interface (IAI) File Formats





## System Framework

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**FedDebt is a debt & debtor based system which allows:**

- DMS to better handle joint & several debts
- A demand letter to be sent to each debtor
- Users can update debt and/or debtor information
- Multiple Payment Agreements possible for a debt
- Removal of a debtor from the debt without closing the entire debt





## **Creditor Agency On-Line Access**

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### **Allows Creditor Agency users to:**

- access the Creditor Agency Profile and update contacts
- view system debts
- enter financial transactions such as payment, reversals and adjustments
- enter recall requests



# Manual Debt Referrals

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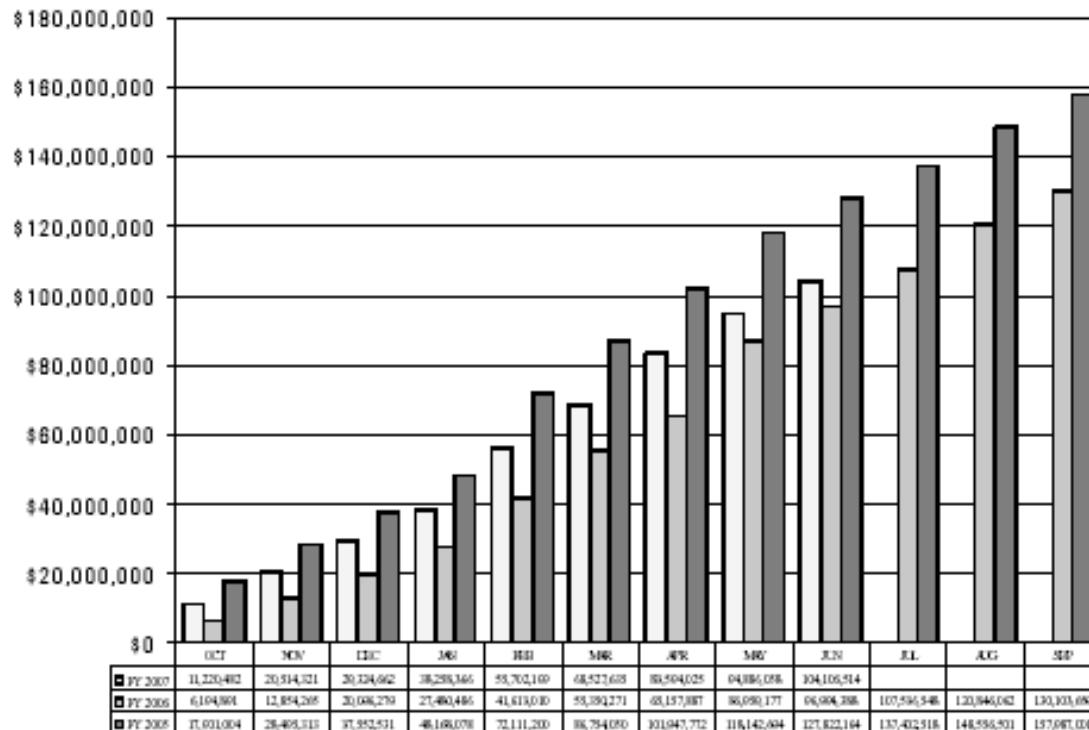
***Number of  
Manual Referrals  
are Decreasing!***



# CROSS-SERVICING COLLECTIONS

## Cross-Servicing Comparison FY 2005 Through FY 2007

### Collections as of June 30 2007



Collections for June 2007 totaled \$9.2 million. Cumulative collections for FY 2007 are \$7 million higher than the amount of cumulative collection through June 2006. Agencies referred 18,660 new debts totaling \$151.5 in June 2007.

#### COLLECTIONS SINCE INCEPTION

\$428 MILLION FOR PCAs  
 \$195 MILLION FOR DMS  
 \$175 MILLION FOR TOP  
 \$ 74 MILLION FOR AGENCY  
 \$872 MILLION TOTAL

#### ACTIVE PAYMENT AGREEMENTS

DMS	3,709	\$21,380,202
PCA	5,249	\$38,386,480
TOTAL	8,958	\$59,766,682



# **Cross-Servicing Points of Contact**

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**J. Scott Spell, Manager  
Customer Relations Branch**

**(205) 912-6406**



**Juanita Franklin, Agency Liaison Supervisor  
Customer Relations Branch**

**(205) 912-6339**

**Shirley Williams-Jefferson, Manager  
Conferences and Agency Education Branch**

**(202) 874-7399**

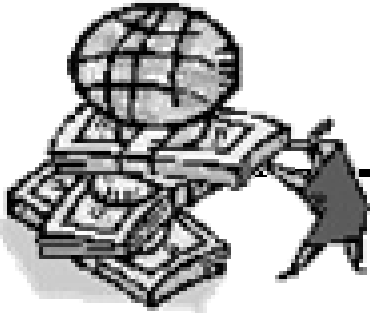
**Matt Lorelli, Manager  
Agency Liaison Branch**

**(202) 874-8626**

**Creditor Agency Toll Free Number**

**(800) 858-0725**





# **Private Collection Division**

**Julie Slaughter, Alt. Contracting Officer's  
Technical Representative (COTR)  
Private Collection Division**



# Private Collection Agencies (PCAs)

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Debts are Generally Sent to PCAs 30 Days after Referral to FMS. PCAs are Expected to Perform Nationwide Debt Collection, Including:

- Consumer and Commercial Debt;
- Different Types of Debts (Fines, Fees, Overpayments, Medical, Loans, etc.);
- Varied Ages;
- Varied Values (\$100 to millions).

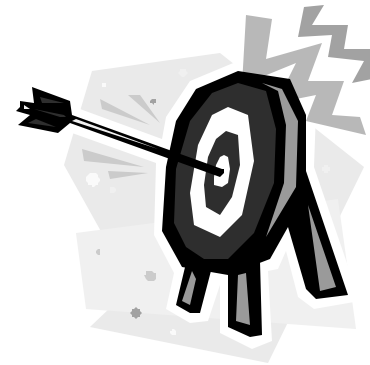




# PCA Contract Goals

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- Collect Debt;
- Resolve Debt;
- Create Competitive Environment;
- Evaluate Performance.



# Basic Contract Requirements

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## *Collection Process:*

- Pre-Approved Collection Letters;
- Perform Skip-Tracing;
- Receive and Process Debtor Disputes;
- Payment Agreements;
- Administrative Wage Garnishment;
- Administrative Resolution (Death, Bankruptcy, Disability with Inability to Pay, or Entity out of Business).



# **FMS' New PCA Contract**

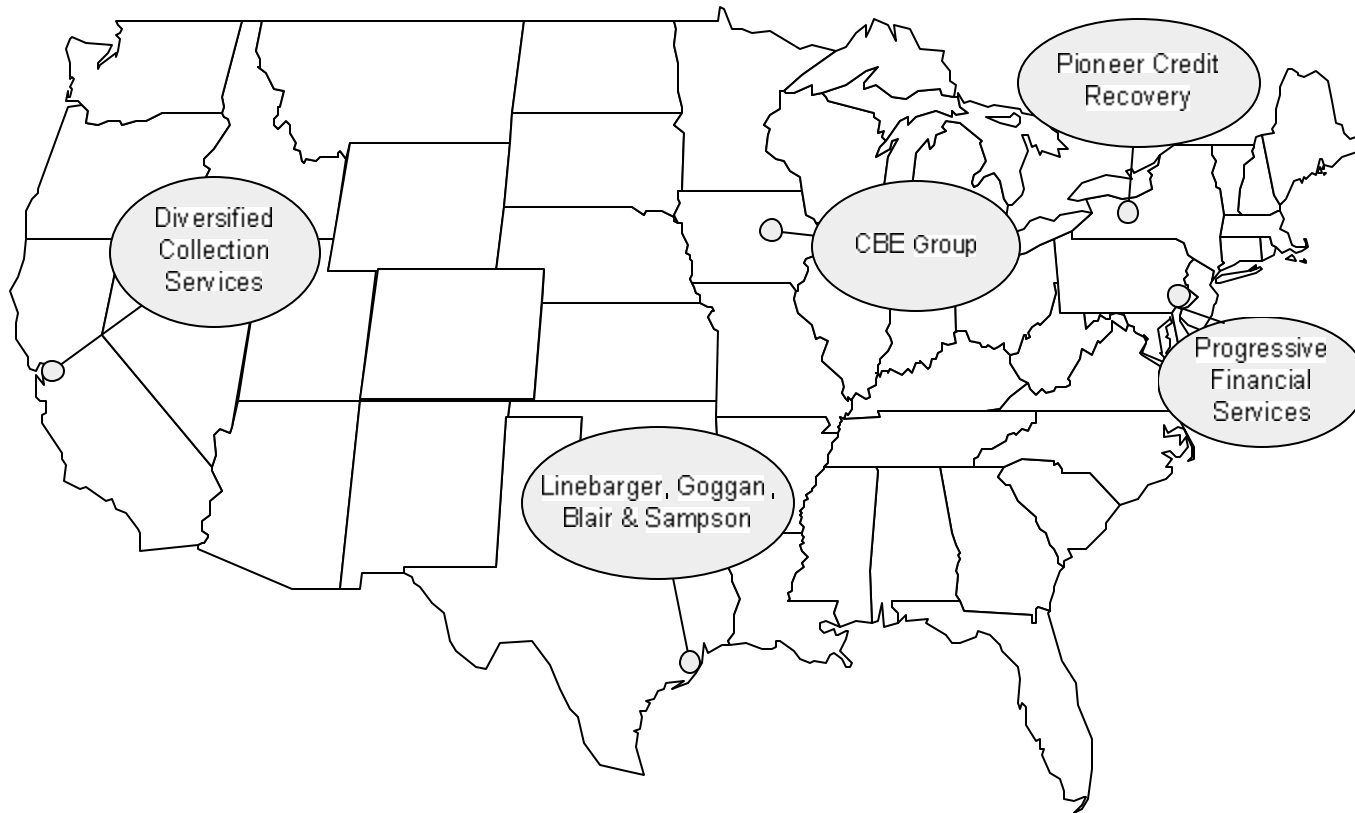
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- Second PCA contract expired in June 2007
- Awarded 3<sup>rd</sup> PCA contract in March 2007
  - Three-month implementation period
    - System testing for new contractors
    - Approval of collection letters
    - Personnel security clearances
    - Setup lockboxes and system access
- First distribution July 7, 2007



# New Contract – Contractor Locations

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# CROSS-SERVICING COLLECTIONS

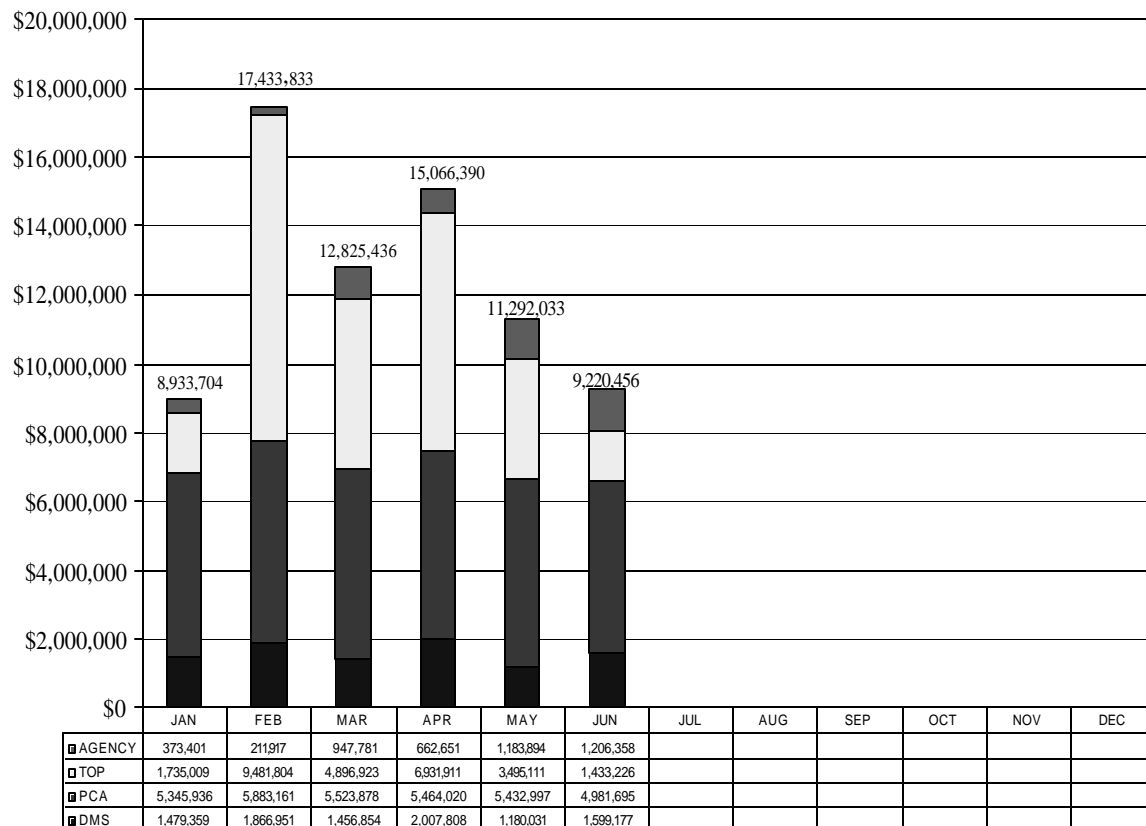
## CY 2007 Collections of DMS, PCA, TOP and Agency as of June 30, 2007

### Calendar Year 2007 to Date Collections

**DMS = \$9,590,180**  
**PCA = \$32,631,688**  
**TOP = \$27,973,983**  
**AGENCY = \$4,586,001**  
**TOTAL = \$74,781,853**

### Fiscal Year 2007 to Date Collections

**DMS = \$14,444,997**  
**PCA = \$51,456,711**  
**TOP = \$32,118,996**  
**AGENCY = \$6,085,811**  
**TOTAL = \$104,106,514**



# Administrative Wage Garnishment (AWG)

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- As Authorized by the Debt Collection Improvement Act of 1996, AWG Allows Federal Agencies to Garnish up to 15% of the Disposable Pay of Debtors who do not Work for the Federal Government, Without a Court Order.
- Agencies Need to Publish Regulations and Establish Hearing Procedures to Participate.
- Agency May Choose to Adopt Treasury Regulations.
- Legislation has Passed Allowing FMS Access to the National Directory of New Hires.



# AWG – Collections

## 15 Agencies Currently Authorize AWC

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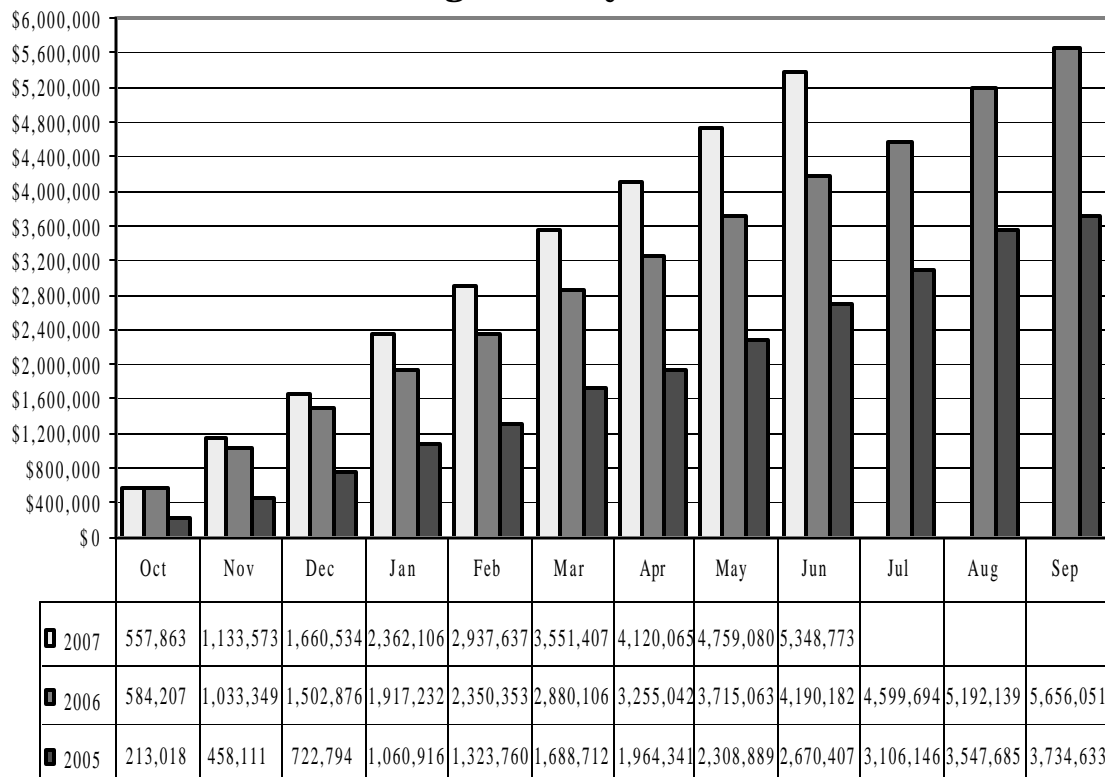
- James Madison Memorial Fellowship Foundation
- Railroad Retirement Board
- Department of Housing & Urban Development
- Securities & Exchange Commission
- Nuclear Regulatory Commission
- Department of Education
- Dept. of Defense (Defense Finance & Accounting Service)
- Department of Energy
- Dept. of the Treasury (DO, BPD, FMS, OCC, U.S. Mint)
- U.S. Agency for International Development
- General Services Administration
- Commodity Futures Trading Commission
- Social Security Administration
- Department of Health & Human Services
- Small Business Administration



# CROSS-SERVICING COLLECTIONS ADMINISTRATIVE WAGE GARNISHMENT

As of June 30, 2007

**Comparison of Cumulative Collections for FY 2005  
Through 2007 by Month**



AWG collections from program inception through June 2007 have exceeded \$17 Million.

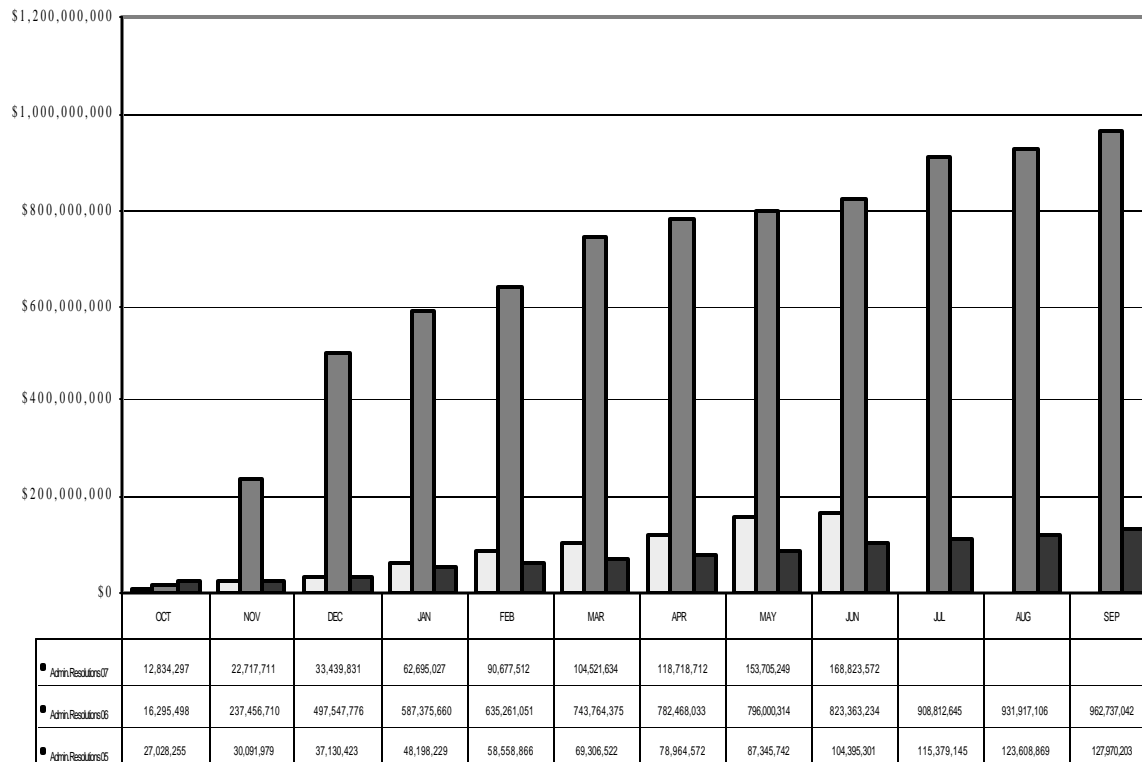




# PRIVATE COLLECTION AGENCY (PCA) COLLECTIONS ADMINISTRATIVE DEBT RESOLUTION

As of June 30, 2007

## Comparison of Cumulative Debt Resolved Administratively for FY 2005 Through FY 2007



Through June of FY 07, the dollar value of debt resolved administratively has average nearly \$19.5 Million per month.



# **Private Collection Division**

## ***Points of Contact***

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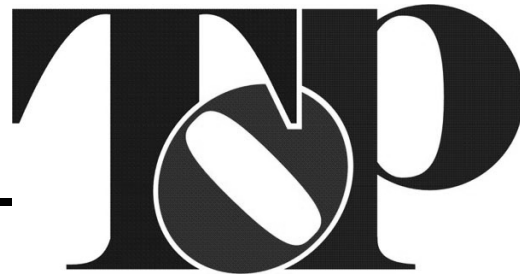


**Rick Burnham, Division Director**  
**Private Collection Division**  
**(202) 874-5879**

**Anita Triantafilledes, COTR**  
**Private Collection Division**  
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**Julie Slaughter, Alt. COTR**  
**Private Collection Division**  
**(202) 874-7879**





# Treasury Offset Program

**Alyssa W. Riedl, Branch Manager**  
**Debt Program Support Branch**  
**Debt Program Division**



# What is the Treasury Offset Program?

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- TOP is a centralized offset process that intercepts Federal payments of payees who owe delinquent debts to agencies that have submitted debt information to FMS.

Offset is withholding funds payable by the United States to a person to satisfy a debt owed to the United States or to a state.

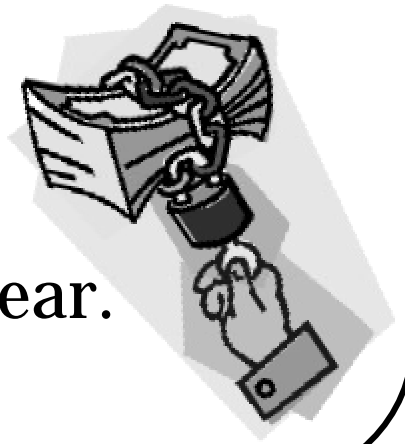


Centralized offset is the offset of payments disbursed by FMS and other Federal disbursing agencies through the TOP.

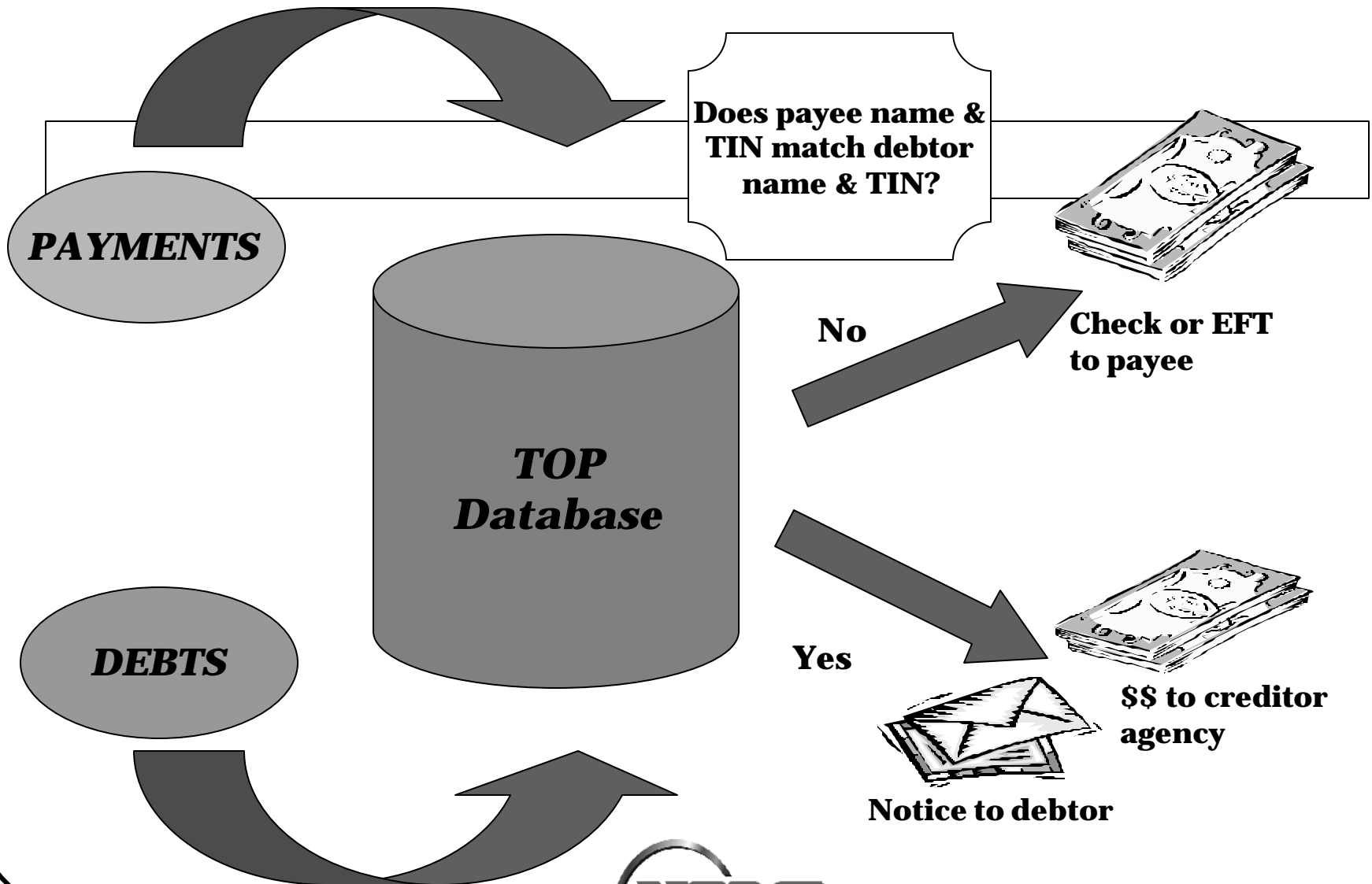
# What is the Treasury Offset Program?

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- TOP is one of the largest and most effective tools in collecting delinquent debts for Federal and state agencies:
  - Debts owed to the United States (tax & non-tax);
  - Child support obligations enforced by state agencies; and
  - State income tax debts.
- Collections total over **\$3 billion** per year.



# TOP Process



# Centralized Salary Offset

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## Participating Salary Paying Agencies:

- ✓ **Interior**
- ✓ **National Finance Center**
- ✓ **DoD-DFAS**
- ✓ **U.S. Postal Service**
- ✓ **GSA**

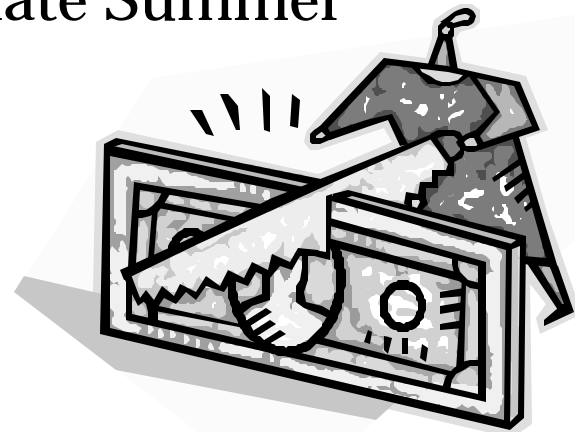


# NTDO Vendor Payments

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U.S. Army Corp of Engineers (USACE)  
Implemented July 2007.

U.S. Postal Service (USPS)  
Expected implementation late Summer  
2007.





# Additional Payment Methods

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## CTX

- Implementation planned for December 2007.

## Fedwire

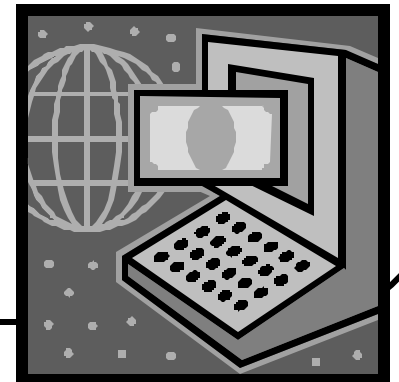
- For Fedwire payments that match debts in TOP, the agency will be required to use payment methods that go through the Treasury Offset Program, allowing offset/levy.
- Implementation planned for December 2007.



# **As of June 30, 2007 TOP Database Contains:**

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- **\$40.2 billion in Federal Non-Tax Debts.**
- **\$90.9 billion in Child Support Debts.**
- **\$143.8 billion in Federal Tax Debts.**
- **\$6.8 billion in State Income Tax Debts.**
- **Total - \$281.7 billion!**

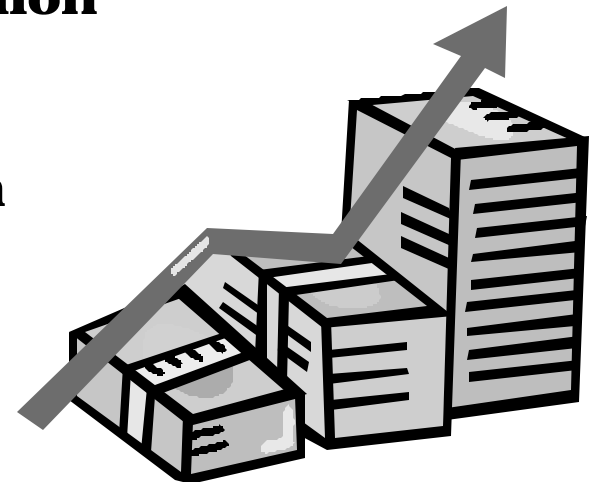


# **CY Collections Through TOP**

## **As of July 18, 2007**

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- **Administrative Offsets**      **\$106.4 million**
- **Tax Refund Offset**  
    **Child Support**      **\$1.6 billion**
- **Tax Refund Offset**  
    **Federal Non-Tax Debt**      **\$1.1 billion**
- **Tax Refund Offset**  
    **State Income Tax Debt**      **\$213.5 million**
- **Tax Levy**      **\$195.8 million**



# State Reciprocal Program

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- States refer debts to TOP for offset against Federal vendor payments and State payments will be matched against Federal debts.
- Interim rule on Administrative Offset Under Reciprocal Agreements with States was published January 4, 2007.
- Pilot began in June 2007 with Maryland. New Jersey started in July.





## **Purpose:**

- **To Assist Agencies in Collecting Delinquent, Non-Tax Debt by Providing Information to Agencies and Lenders on Whether Individuals and Businesses Applying for Federal Loans, Loan Insurance, and Loan Guarantees have a Debt with the Federal Government (U.S.C. § 3720B and 31 C.F.R. §285.13).**
- **To Provide an Online Resource on Delinquent Debtors for Federal Agencies for Purposes of Carrying Out the Law.**





Department of the Treasury  
Financial Management Service **fms**

- Debt Check is a 2 factor, level 3 security application
- Issuing Public Key Infrastructure (PKI) certificates
- Exploring the option of a Portal Between CAIVRS and Debt Check.



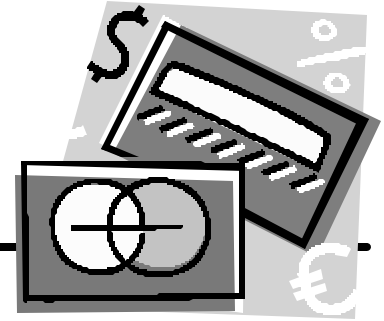
# Task Force

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- The Cross Agency Federal Contractor Tax Compliance Task Force with Senior Management from FMS, DOD, IRS, DOJ, OMB, and GSA was Established to Address the Recommendations of the GAO Audit and to enhance tax enforcement actions, including the more effective use of the tax levy program.
- Concern raised that purchase card payments and CMS payments are not levied.

# Purchase Card

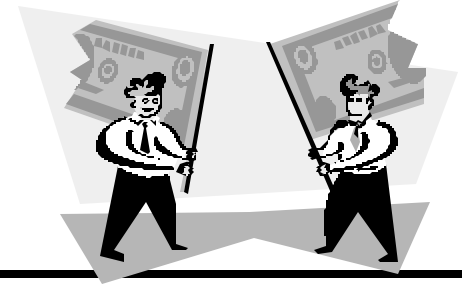


- Match CCR data against delinquent debts in TOP
- Provide results to CCR
- Establish indicator on CCR database to identify vendors that are ineligible for purchase card payments
- Agencies required to use payment methods that go through the Treasury Offset Program allowing offset/levy
- TOP changes were implemented in March 2007.
- Draft changes to the Federal Acquisition Regulations (FAR) completed and under review by FAR Council.



# CMS Payments

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Working with CMS to determine the best option to levy Part A and B payments disbursed by CMS

Option 1 – Have Treasury disburse these payments

Option 2 – Have CMS use the NTDO process

CMS Part C and D payments are disbursed by Treasury and are available for levy

Medicare payments are not legally subject to administrative offset.

# Legislative Proposals

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- Unemployment Trust Fund to Participate in TOP.
- Removal of 10 Year Statute of Limitations on Offsets.
- Allow the offset of federal income tax refunds for delinquent state tax for out-of-state residents.
- Allow the offset of federal benefit payments to collect delinquent child support.



# **Debt Program Division**

## ***Points of Contact***

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**Debt Program Division**  
**(202) 874-0540**

**Rosemary McCambridge, Branch Manager**  
**Debt Program Relations Branch**  
**(202) 874-6727**

**Alyssa W. Riedl, Branch Manager**  
**Program Support Branch**  
**(202) 874-6859**



# Questions?

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